CALPEEK

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***BUDGET WARS*: DEMOS GIVE UP ON VLF TAX HIKE, BUT WILL GOP GO FOR A JUMP IN TOBACCO TAX?**

Editor's note: Demo Assembly Speaker Herb Wesson has given up on trying to get his GOP Assembly colleagues to pass a budget which included a hike in the VLF (car tax). Instead, Wesson has proposed a monster hike in Calif.'s tobacco tax. But will the GOP go for this kind of tax increase to close a $23.6 billion hole in this year's $99 billion budget??? Here's our analysis & commentary...

...There's no disagreement that the prior VLF reductions have been very popular with voters. And while Demos and Gov. Gray Davis were quick to embrace this popular tax cut, in this year's budget crunch rolling back the previous VLF cuts became a very temping target for Davis and his Demo Legislative allies. And while the State Senate was able to pass a budget with one GOP cross-over vote (Sen. Maurice Johannessen), persuading 4 GOP assemblymembers to pass the budget with the VLF roll backs has proved all but impossible. ***Calpeek*** predicted this in our May 20th issue...

...So now Speaker Wesson has turned to the *tobacco tax* as a way to close the deficit – along with some other tax and revenue increases. Wesson wants to hike the tobacco tax by $2.13 per pack of cigarettes. That would bring the total cigarette tax to $3 per pack – highest in the U.S. And while Wesson makes the case that 20 states have also hiked the tobacco tax (including 13 states with GOP governors), getting 4 GOP assemblymembers to cross over won't be an easy task. However, sources say the Demos have polled on this question – and the results are favorable to raising the tobacco tax...

...The big disadvantage to raising any new revenue is that 40% automatically goes to education – which in the view of some GOPers is already way over-funded for this coming year. That's why the VLF really was a better solution to closing the budget gap...

...GOP Assembly Leader Dave Cox of Sacto has said he's pleased that the Assembly Demos dropped the VLF proposal, but said that's not good enough. Cox wants to slash spending to close the budget's red ink. Problem is that Cox and his GOP colleagues don't say where they'd make those cuts. And for this GOPers in the Assembly are under increasing pressure from newspaper editorial writers and political columnists. The *Sacto Bee's* Dan Weintraub perhaps said it best: "Republicans in the Legislature who oppose the Democratic budget have yet to offer a clear alternative of their own."...

...Finally, if the GOP's ultimate political goal in delaying passage of this year's budget was to embarrass Davis – in order to help GOP gubernatorial candidate Bill Simon Jr. – they have really made a huge mistake. There is virtually nothing the 30 members of the GOP Assembly can do to save Simon's campaign...

...FYI: The real solution to this budget fiasco is to establish a budget reserve and to fix Prop. 98. Neither will be easy to do and now is **not** the time to start on this project. Wait until the new session begins. Stay tuned...

***CAMPAIGN 2002*: SIMON CAMPAIGN IN MELTDOWN AS $78 MILLION FRAUD VERDICT HURTS CAMPAIGN.**

Editor's note: Didn't think ***Calpeek*** would be writing this story – so soon, but it has become more than apparent that it will take a minor miracle to rescue Bill Simon Jr.'s failing campaign for governor. This is the view of several GOP campaign consultants and pundits – and not just in Calif., but Washington DC too. Here's our update & analysis...

...No reason to totally rehash the whole *Pacific Coin* civil trial lawsuit which ended with an L.A. jury awarding Paul Hindelang $78 million – to be paid by Bill Simon Jr.'s firm, Wm. E. Simon & Sons and their partners in this deal. The key word in this whole mess is FRAUD. It's an ugly word in any context, but especially in a political context. The jury found Simon's firm defrauded Hindelang, who had some serious criminal problems of his own back in the 1980s. And whether Simon really knew about Hindelang's problems is a whole another subject. The news media is now in a feeding frenzy and the stories which are now

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emerging are just as negative as the original story. Above the fold in the Aug. 7th *L.A.Times*: ***Records Belie Simon on Fraud Case***. The key word in this head-line is belie. It means to give a false picture or misrepresent…

…Most GOP sources ***Calpeek*** spoke to thought that before this latest damaging event took place it was *possible* Simon could redeem himself. But when the Pacific Coin verdict became public July 30th, that was the proverbial straw which broke the camel's back. When added to the Western Federal S&L mess; Simon's inept handling of his tax returns; his failure to vote in many Calif. elections; the tax shelter brouhaha; and other messy lawsuits not yet settled, it all added up to too many problems for one campaign to handle…

…Could Simon have avoided this mess? In the Pacific Coin civil trial he could have asked for a continuance. Why he didn't is unclear, but one source said Simon wanted to go ahead because he felt he'd win. Even now Simon says he believes the jury verdict will be overturned on appeal. The appeal itself will cost Simon and partners at least $20 million for a bond. One thing is sure: the interest on $78 million @7% is about $15,000 per day and that's undoubtedly more than Simon is bringing into his campaign on a daily basis…

…The to the campaign. One GOP source said, "Blow taps." Another GOP source told ***Calpeek*** that in order for the GOP to win in Calif. (given the new demographics), "We needed a superior candidate and a superior campaign. And as of today we have neither." And both of these GOP consultants were also quick to note that Davis is still regarded as a flawed incumbent, who if he faced either Bill Jones or Richard Riordan might be in serious trouble. But the real danger for Calif. Republicans is the potential damage Simon's problems present to down-ballot candidates. Here we're talking about a depressed GOP base vote Nov. 5th…

…This now brings us to the White House and Pres. George W. Bush. He is due in Calif. Aug. 23rd and 24th to headline two Simon fundraisers. The invites have already been sent so Bush can't back out now and here's the problem according to one GOP source, "Bill Simon is the poster boy for everything that George Bush wants to fix." It's the corporate responsibility thing. Even if the White House press corps is barred from these events, bet your first born that all the negative Simon stories, especially the Pacific Coin stuff, will be linked to the main story about Pres. Bush's decision to headline the two fundraisers. Not good news…

…FYI: has there ever been a meltdown similar to Simon's?? One GOP consultant thinks the 1978 campaign of then GOP AG Evelle Younger vs. incumbent Demo Gov. Jerry Brown comes close. Stay tuned…

***CAMPAIGN 2002:* FOLLOWING THE CAMPAIGN CASH.**

Editor's note: Campaign reports have now been filed for candidates running for Statewide office. The financial reports cover the time from just before the Mar. 5th primary (2/17/02) until June 30th. The reports had to be filed no later than July 31st. What we'll show in chart form are the total contributions to date; the total expenditures to date; and cash on hand(COH)…

	Contrib.	Expend.	COH
Governor			
Davis(D-I)	$13.9 million	$18.7 million	$31.6 mil
Simon(R)	$16.4 million	$12.6 million	$5 million
Lt. Governor			
Bustamante(D-I)	$1,352,253	$633,494	$2.2 million
McPherson(R)	$ 878,985	$456,231	$804,925
* McPherson has debts of $38,129			
Attorney General			
Lockyer(D-I)	$2,056,881	$513,011	$6.4 million
Ackerman(R)	$ 143,113	$ 99,783	$61,993
CA State Treasurer			
Angelides(D-I)	$2,831,417	$846,732	$6.1 million
Conlon(R)	$ 259,280	$302,081	$28,206
* Conlon as a debt of $150,957			
Controller			
Westly(D)	$3,048,458	$4.6 million	$1,057,222
McClintock(R)	$ 672,453	$842,997	$75,794
* McClintock has a debt of $377,872			
Secretary of State			
Olberg(R)	$343,509	$468,059	$497,934
Shelley(D)	$964,431	$2,168,802	$403,153
* Shelley has a debt of $137,641			
Insurance Commissioner			
Garamendi(D)	$2,009,384	$1.1 million	$1,044,616
Mendoza(R)	$ 551,144	$225,482	$ 353,533
* Garamendi has debts of $703,038, while Mendoza has debts of $27,871			
Supt. of Public Instruction			
O'Connell	$2,270,505	$3.8 million	$527,453
Smith	$ 31,617	$32,967	$ 6,835

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CALPEEK'S VACATION SCHEDULE

Calpeek plans to take off the last week of August and the first week of September (Labor Day week). We'll return to work on Sept. 9th with issue #33. This week and next you'll receive your regular newsletter, but issue #32 (dated Aug. 26th) will be **Calpeek's Fall Election Guide.** You have our permission to reprint the Guide and send it to your clients and associates. We'll post this memo again next week...

CAMPAIGN 2002: **SECESSSIONIST ACCUSE L.A. CITY HALL OF USING CITY FUNDS TO FIGHT MOVEMENT.**

Editor's note: In the last few weeks the battle to split L.A. City into two or perhaps even three separate cities has taken on a rather nasty tone. The latest shot was fired Aug. 5th when the San Fernando Valley United Chambers of Commerce(UCC) filed a formal complaint against L.A. Mayor Jim Hahn, accusing the mayor of illegally using city hall staff and resources in his fight against SFV and Hollywood secession. Here's our brief update & analysis...

...In their formal complaint against Hahn and L.A. City Hall, the UCC (in a formal letter drafted by the Orange Co. law firm of Rutan & Tucker) says L.A. City used paid staff to distribute anti-cityhood press releases; used city computers, telephones, fax machines to campaign against the SFV secession; distributed "talking points" and "campaign manuals" to city commissioners and other city employees; and used City Hall and other public facilities to stage meetings with SFV and Hollywood anti-secession forces to map out strategy...

...The city's official response is that this latest complaint is without merit. Sources at City Hall told ***Calpeek*** that in fact everything dealing with secession that came from Mayor Hahn's office and City Hall was checked in advance with the L.A. City Attorney's office to make sure they were not breaking any laws...

...Regardless, the Rutan & Tucker letter on behalf of UCC was forwarded to the L.A. City Ethics Commission and the State's FPPC for possible investigation. Whether anything will come of this remains to be seen, but the allegations themselves did make ink...

...Of course, there is the other side of the coin. *L.A. United* and *One Los Angeles* – two of the main anti-secession groups, keep asking why won't ***Valley Vote*** and the new campaign committee, ***San Fernando Valley Indep. Cmt.***, release their complete list of campaign contributors? The L.A. City Ethics Commission let both groups off the hook by saying that those who contributed before July 25th – that's the day the L.A. Co. Bd. of Supes formally put the secession question on the ballot – didn't have to be disclosed. Still, it would be interesting to see who has contributed to the L.A. divorce plan – prior to July 25th. As one anti-secession source told ***Calpeek***, "The YES side on secession must be scared to death about something if they won't release the names." Stay tuned...

CAMPAIGN 2002: **COUNTY/CITY BALLOT MEASURES.**

Editor's note: Here is ***Part II*** in our continuing series of updates & reports about ***local ballot measures***...

☒ ***Care, Not Cash*** – That's the name of a local initiative that will be on San Francisco's Nov. 5th ballot. As one might suspect from the informal name of this plan, it's aim is to provide S.F.'s huge homeless population with services via vouchers – rather than giving direct cash payments. How much does S.F. City Hall provide annually for the homeless? About $104 million. The estimate on the homeless population in S.F. runs anyway from a low of 2,500 to as high as 10,000. These are the folks who are on general assistance. The key sponsor of ***Care, Not Cash*** is S.F. Co. Sup. Gavin Newsom – who definitely has his eye on 2003 when the Mayor's job opens up. Newsom qualified his proposal by collecting some 23,000 signatures (9,735 required). He did it with a volunteer army of about 400 people. The initiative itself is not tightly drafted, according to supporters, so it can be flexible. S.F. political consultant Jim Ross is the daily cmp. mgr., while consultant Eric Jaye's *Storefront Political Media* will handle mail/media. Thus far Newsom's proposal has drawn support from the S.F. Medical Society, Coalition of S.F. Neighborhoods and from Mayor Willie Brown. Labor, which could hold the key, has not yet taken a position. S.F. Co. Sup. Chris Daly is a NO on this plan, saying the homeless should choose how they spend their general assistance cash. This isn't the first time a homeless initiative has hit S.F.'s ballot...

☒ ***Property Tax Hike Plan in L.A. Co.*** – By a very narrow 3-2 vote, the L.A. Co. Board of Supes have placed a property tax increase plan on the Nov. 5th ballot to raise revenue for emergency health care services. The motion to raise the property tax was by L.A. Co. Sup. Zev Yaroslavsky and supported by Supes Gloria Molina and Yvonne Burke. Supes. Don Knabe and Mike Antonovich were opposed. If approved by a 2/3rds vote (2/3rds needed because the tax hike is *targeted for a specific purpose*), it would raise county property tax by 3 cents per sq. foot on developed land (homes, condos, apartments, commercial and industrial properties). That 3 cent hike would produce about $168 million and without it, claims Sup. Yaroslavsky, the county's

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trauma and emergency medical services face a fiscal meltdown. It will be a tough sell unless there's some money lined up to educate voters...

☒ ***Tax Hike for Solano Co. Traffic Relief*** – The Solano Co. Bd. of Supes have placed a ½ cent sales tax measure on the Nov. 5th ballot to raise funds for traffic relief. Because the funds are earmarked, a 2/3rds vote is required. When combined with State and Federal matching funds, this plan could raise $1 billion over a 20 year period. The key part of the traffic relief plan is to fix the I-80/680 interchange, which is considered a traffic nightmare for commuters. The campaign for passage will be managed by S.F.-based Barnes, Mosher, Whitehurst & Lauter. Polling is being handled by Evans McDonough Co...

☒ ***Not on the L.A. Co. Ballot*** – While the Cmt. to Protect Homecare for Seniors & People with Disabilities did collect some 380,000 signatures, an L.A. Co. judge has ruled that this initiative (***The Homecare Protection Act of 2002***) to be unconstitutional. This measure's prime goal was to hike wages & benefits for home healthcare workers. In his decision, Judge Dzintra Janavs said State law gives the L.A. Co. Supes the power to set wages, not the voters. The committee won't appeal, but will take their case to the State Legislature. The list of endorsements behind this local initiative was most impressive. Stay tuned...

***DOG DAYS OF SUMMER*: POLITICAL SHORT TAKES.**

Editor's note: Here are a few items, political & otherwise, worth noting...

■ ***Battle Underway for CRP Chair Job in 2003*** – There are already at least 3 candidates who want to chair the Calif. Republican Party – beginning in 2003. These candidates include CRP Vice Chair Bill Back and CRP Secretary Shannon Reeves; and attorney and No. Calif. Lincoln Club chair George M. Sundheim III (better known as Duf). At this point it is not known whether current CRP Chair Shawn Steel will seek a 2nd term. Not running for chair this time: former GOP Assemblyman Brooks Firestone. While Back, Reeves and Steel are well known to CRP insiders, Duf Sundheim isn't. He's an attorney in the firm of Doty, Sundheim & Gilmore. He's a graduate of Stanford Univ. and Northwestern Univ. Law School. He's also a past president of the Palo Alto Area Bar Assn...

■ ***Money Wars: CRP vs. CDP*** – And just how fiscally healthy is the CA Republican Party? According to the filing with the CA Sec. of State, the CRP has $2.8 million cash on hand, as of 6/30/02. The CA Demo Party is in much better shape. The CDP reported cash on hand of $11.2 million for the period ending 6/30...

■ ***Endorsement Wars*** – In the battle over election day voter registration (EDVR), YES on 52 has picked up the endorsement of former Calif. Sec. of State March Fong Eu(D) and the UFW. NO on 52 has won recent endorsements from the Fresno Police Officers Assn., Placer Co. Clerk/Registrar Jim McCauley and 3-Strikes author Mike Reynolds...

■ ***War on Terror*** – According to the latest Field Poll, among Calif. voters, 86% think another terrorist attack is likely in the near future. Only 12% disagree. As for that attack being ***here in Calif.***, 69% think this is likely vs. 25% who say NO...

...In case you missed it, pick up a copy of the Aug. 12th issue of *Time* magazine. Must reading: the cover story "The Secret History" by Michael Elliott. Turns out there was an anti-terrorism specialist in the Clinton White House who had a plan to go after al-Qaeda. And Richard Clarke was kept on by the Bush Admin., but his plan was delayed by bureaucratic snafus...

...Also on the must read list is an article in the Aug. 6th edition of the *Washington Post* which says that last month a top Dept. of Defense advisory board (Defense Policy Board) got a briefing in which Rand Corp. analyst Laurent Murawiec described **Saudi Arabia** "as an enemy of the U.S." Part of his recommendation – and this in not U.S. policy – is that the U.S. give Saudi Arabia an ultimatum: stop financing terrorism or the U.S. will seize your U.S. assets and your oil fields. The day after this story ran in the Washington Post the DOD distanced itself from that policy think tank recommendation – which by the way was classified...

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